GOVERNMENT OF INDIA
INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:7962
ANSWERED ON:17.05.2000
PUBLIC ISSUE OF CMC
DR. KIRIT SOMAIYA

Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether the Government have postponed the public issue of the CMC Limited at the last moment;

(b) if so, the reasons therefor;

(c) whether inspite of share market prices of all the info- tech companies are going up, the shares of CMC has remained the same;

(d) if so, the reasons therefor;

(e) whether the Government propose to conduct any inquiry in this regard; and

(f) if so, the details thereof?

Answer

MINISTER OF PARLIAMENTARY AFFAIRS AND INFORMATION TECHNOLOGY

(SHRI PRAMOD MAHAJAN)

(a) and (b): CMC Ltd. had made a proposal for additional funds inthe context of its expansion plan during the period 1997-02. In the absence of budgetary support from the Government, the Company requested for raising the funds from the market by enhancing its equity base. This was considered and agreed to. However, before taking a final decision on the method of raising the equity, CMC was asked to submit details/calculations of different options for raising the equity after weighing the pros and cons. The earlier Investment Plan finalized by the company in March 1998 was based on the then prevailing market conditions. Since then substantial changes had taken place in the capital market and there are fresh openings in the areas such as E- Commerce and E-Governance. The Company was in these circumstances asked to firm up its future business plan and submit the proposal for actual fund requirement to decide the size of the issue. Pending submission of these details and formal approval of the Government, the Company was advised not to take up the matter regarding raising the additional equity which they proposed to discuss/consider in its Extraordinary General Meeting scheduled for 20.1.2000.

(c) and (d): The market price of shares is purelya function of market forces and as such no specific reason can be attributed to volatility in share prices of IT companies. One of the factors in deciding the market price is the availability of the floating stock of the Company for trading.

At present about 8% of CMC equity is available to the public.So far as CMC is concerned, its shareprice too has fluctuated between Rs.287-873 during the last one year.

(e): No, Sir.

(f): Does not arise.